

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name WOODLANDS LIBRARY COOPERATIVE	County CALHOUN
Audit Date 09/30/04	Opinion Date 10/22/04	Date Accountant Report Submitted to State: 11/19/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).	X		
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC			
Street Address ONE SOUTH MONROE ST.	City MONROE	State MI	ZIP 48161
Accountant Signature <i>Cooley Hehl Wohlgamuth &amp; Carlton</i>		Date 11-08-04	

**WOODLANDS LIBRARY COOPERATIVE**  
Albion, Michigan

ANNUAL FINANCIAL REPORT  
September 30, 2004 and 2003

# WOODLANDS LIBRARY COOPERATIVE

## ANNUAL FINANCIAL REPORT

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Independent Auditor's Report

Board of Directors  
Woodlands Library Cooperative  
Albion, Michigan 49224

We have audited the statement of net assets of Woodlands Library Cooperative as of September 30, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodlands Library Cooperative as of September 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, the Cooperative has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of October 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2004, on our consideration of Woodlands Library Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4-7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Board of Directors  
Woodlands Library Cooperative

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements of Woodlands Library Cooperative. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Coolley Hehl Wohlgamuth & Carlton*

October 22, 2004





COOLEY HEHL  
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Independent Auditor's Report on Compliance and on  
Internal Control Over Financial Reporting Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*

Board of Directors  
Woodlands Library Cooperative  
Albion, Michigan 49224

We have audited the financial statements of Woodlands Library Cooperative as of and for the year ended September 30, 2004, and have issued our report thereon dated October 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Woodlands Library Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodlands Library Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and the Library of Michigan and is not intended and should not be used by anyone other than these specified parties.

Cooley Hehl Wohlgamuth & Carlton  
October 22, 2004

## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis* *Year Ended September 30, 2004*

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#### **Using this Annual Report**

This annual report consists of the *Independent Auditor's Reports*, the *Management's Discussion and Analysis* (this section), the *basic financial statements*, *other supplemental information*, and *federal financial assistance programs*. The basic financial statements also include notes that explain some of the information in the financial statements and provides more detailed data. The statements are followed by a section of *other supplemental information* and *federal financial assistance programs* that further explains and supports the information in the financial statements.

#### **Required Financial Statements**

The Cooperative's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about their activities. The statement of Net Assets includes all of the Cooperative's assets and liabilities. This statement provides information about the nature of the assets and the obligations of the Cooperative. In addition, this statement provides the basis for evaluating the capital structure of the Cooperative and assessing the liquidity and financial flexibility of the Cooperative.

All of the revenues and expenses for the current year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures how well the Cooperative covered the costs for services during the past year. The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to the origins of income, the uses, and the changes in the cash balance during the reporting period.

The cooperative implemented changes under GASB No. 34 for the year ended September 30, 2004; accordingly, only two years of comparative data is presented for comparison purposes. In the future, three years will be presented in the Management's Discussion and Analysis.

#### **Condensed Financial Information**

Table I below compares key financial information of the Cooperative's Statement of Net Assets.

**Table I:**

#### **Condensed Statement of Net Assets** **September 30** (in thousands)

	<u>2004</u>	<u>2003</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Total Current Assets	\$421.5	\$392.0	\$ 29.5	7.5%
Net Capital Assets	<u>19.4</u>	<u>5.4</u>	<u>14.0</u>	<u>259.3%</u>
Total Assets	440.9	397.4	43.5	10.9%
Total Current Liabilities	<u>8.7</u>	<u>14.2</u>	<u>(5.5)</u>	<u>38.7%</u>
Invested in Capital Assets	19.4	5.4	14.0	259.3%
Unrestricted Assets	<u>412.8</u>	<u>377.8</u>	<u>35.0</u>	<u>9.3%</u>
Total Net Assets	<u><u>\$432.2</u></u>	<u><u>\$383.2</u></u>	<u><u>\$ 49.0</u></u>	<u><u>12.8%</u></u>



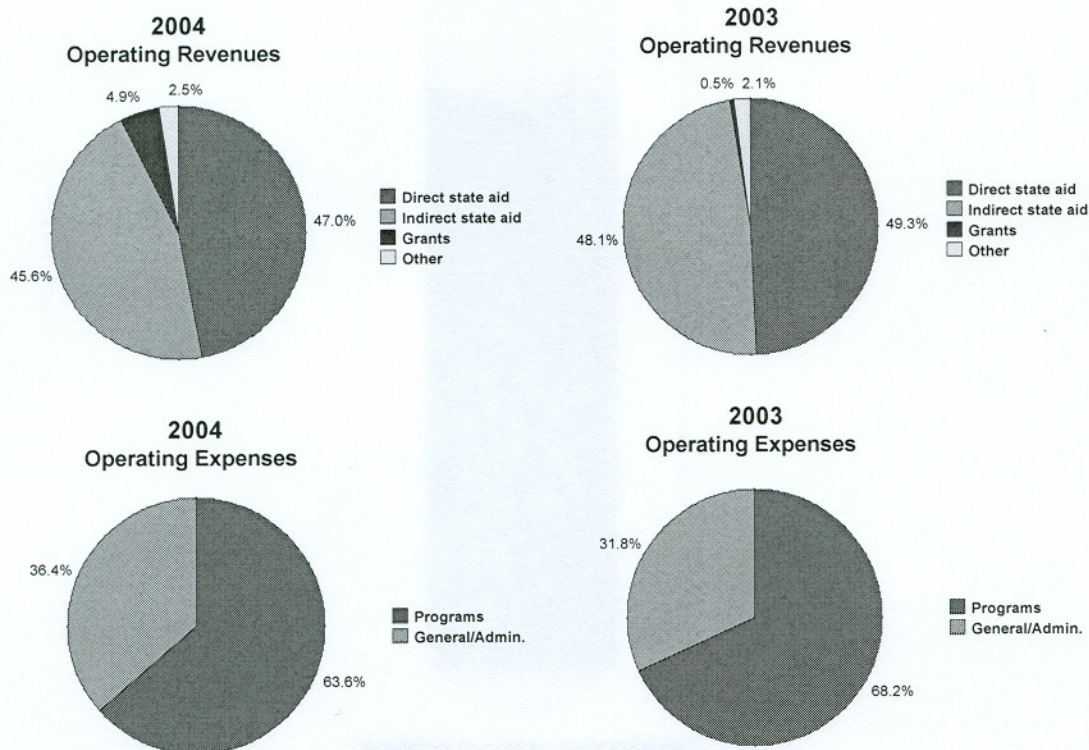
## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis* *Year Ended September 30, 2004*

#### **Condensed Financial Information (Concluded)**

The Cooperative's net assets increased by \$48,975 this year compared to a decrease of (\$13,061) in the prior year. The primary reason for the increase was reduced expenses on service contracts and operational cost of the office. The Cooperative changed interlibrary loan software from Brodart's QuILL software to Auto-Graphic's Agent. The Agent software reduced the Monroe County Library System's service contract while improving service. The Cooperative's office operational costs were reduced by not replacing any major capital equipment, lowered training costs, and reducing health insurance benefits.

Table II and the pie charts below compare key financial information of the Cooperative's Statement of Revenues, Expenses, and Changes in Net Assets.





## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis* *Year Ended September 30, 2004*

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**Table II:**

**Changes in Net Assets**  
**Year Ended September 30**  
(in thousands)

	<u>2004</u>	<u>2003</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Operating Revenues	\$496.5	\$450.2	\$ 46.3	10.3 %
Operating Expenses	<u>449.7</u>	<u>466.9</u>	<u>(17.2)</u>	<u>(3.7)%</u>
Operating Income	46.8	(16.7)	63.5	180.2 %
Net Nonoperating Revenues	<u>2.2</u>	<u>3.6</u>	<u>(1.4)</u>	<u>(38.9)%</u>
Changes in Net Assets	49.0	(13.1)	62.1	274.0 %
Beginning Net Assets	<u>383.2</u>	<u>396.3</u>	<u>(13.1)</u>	<u>3.3 %</u>
Ending Net Assets	<u><u>\$432.2</u></u>	<u><u>\$383.2</u></u>	<u><u>\$ 49.0</u></u>	<u><u>12.8 %</u></u>

The Cooperative operates with one fund, an enterprise fund on a full accrual basis of accounting similar to private sector companies. The Cooperative's primary source of revenue is from direct and indirect state aid. Direct state aid accounts for 47%, while indirect state aid paid by member libraries account for 46%. State aid accounts for 93% of Woodlands income. These percentages are approximately the same as previous years.

Expenses for resource sharing, technology, advocacy, continuing education, and support services account for the 64% and general and administrative costs of 36%. Employees were given a 2.5% increase in salaries, which contributed to an increase of \$1,696. Total current year expenses were 3.7% lower from the prior year.

#### **Capital Assets and Debt Administration**

Capital assets increased by \$16,400 this year. The additions for capital assets were for laptops, a projector, a smart board and stand. The depreciation expense for the year was \$2,395.

The Cooperative does not have any debt obligations.

#### **Budgetary Highlights**

Over the course of the year, the Governing Board amended the budget to take into account events that occurred during the year. Budgeted revenues were \$472,679 and \$476,099 for September 30, 2004 and 2003 respectively. State aid payments from the State increased 2.1 cents per capita for an increase of \$21,052. Other income was increased by \$16,666 for a Reed Grant awarded to the Cooperative for the purchase a mobile training lab to train librarians to serve the unemployed.

State aid was paid in two payments of 50% each in 2004. This was a major change from previous years when the payments were 80%/20%. The timing of the payments were later in the fiscal year resulting in the Cooperative using its capital reserve to fund part of its monthly bills for nine months until state aid payments were received. Interest income was reduced due to lower interest rates and the use of the capital reserve.

## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis* *Year Ended September 30, 2004*

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#### **Budgetary Highlights - Concluded**

Budgeted expenses were \$454,519 and \$499,099 for September 30, 2004 and 2003 respectively. Budget adjustments for expenses occurred in Union Database Production to align the Cooperative with Auto-Graphics' fiscal year. The Cooperative paid for an extra two months of service for \$9,675 to bring the contract into Auto-Graphics' fiscal year as stated in the contract. The delivery account was increased \$900 to test a new statewide delivery system which reduces postage costs. Office equipment was increased \$1,000 to purchase a replacement laptop computer. During the 2002-2003 fiscal year, the Cooperative received 80% of the Reed Act Grant and the remaining 20% during this fiscal year. The Cooperative recognized \$7,723 in grant revenue this year for that grant. Another Reed Act Grant was awarded this fiscal year for \$16,666 to purchase hardware and software for the mobile training lab. The total Reed Act Grant revenue for the year was \$24,389.

#### **Economic Factors and Next Year's Budgetary Highlights**

State aid revenue was based on 43.6 cents per capita, 13% below the 50 cents cap. State aid remains an unstable funding source for Cooperatives and libraries, based on the State of Michigan's budget crisis. The State cut state aid several times over the last few years in order to balance its budget. Several of the cuts were during the fiscal year. If budget cuts are made to state aid, the Cooperative must decide whether to cut services or to use reserve funds to continue services. The Cooperative established a policy of retaining one half of the annual budget as a reserve.

The State Library is developing Quality Standards of Service requirements which will have a financial impact on the Cooperative next year. The Cooperative currently does not meet some of the proposed core requirements. In order to reach this level, some current services may have to be reduced or eliminated. In order to meet enhanced or excellent requirements, the Cooperative will require additional staffing and funding.

#### **Contacting the Cooperative's Financial Management**

This financial report is designed to provide the Cooperative's citizens, taxpayers, customers, and creditors with a general overview of the Cooperative's finances. If you have any questions about this report or need additional financial information, contact the Woodlands Library Cooperative, 415 South Superior, Suite A, Albion, MI 49224-2135.



## **BASIC FINANCIAL STATEMENTS**

# WOODLANDS LIBRARY COOPERATIVE

## *Statement of Net Assets* *September 30, 2004 and 2003*

	2004	2003
<b>Assets</b>		
Current Assets		
Cash	\$400,712	\$381,870
Accounts receivable	250	3,267
Prepaid expenses	20,517	6,911
Total Current Assets	421,479	392,048
Capital Assets		
Office equipment	30,111	26,635
Furniture and fixtures	5,204	5,204
Other equipment	30,046	17,122
	65,361	48,961
Less: Allowance for depreciation	45,916	43,521
Total Capital Assets	19,445	5,440
Total Assets	440,924	397,488
<b>Liabilities</b>		
Current Liabilities		
Due to other governmental units	143	143
Due to video consortium	1,049	1,065
Other liabilities	7,530	7,330
Deferred revenue	0	5,723
Total Liabilities	8,722	14,261
<b>Net Assets</b>		
Invested in capital assets	19,445	5,440
Unrestricted	412,757	377,787
Total Net Assets	\$432,202	\$383,227

(See accompanying notes to financial statements)



## WOODLANDS LIBRARY COOPERATIVE

### *Statement of Revenues, Expenses, and Changes in Net Assets For the Years Ended September 30, 2004 and 2003*

	2004	2003
<b>Operating Revenues</b>		
State Aid to Cooperative	\$233,111	\$222,071
State Aid from Members	226,529	216,517
Reed Act Grant	24,389	2,277
Other	12,466	9,402
Total Operating Revenues	496,495	450,267
<b>Operating Expenses</b>		
Programs:		
Interloan and reference	67,261	67,677
Delivery	93,763	90,908
Union database	120,301	154,813
Periodical purchasing	4,000	4,000
Member purchasing/Merit fees	546	1,161
	285,871	318,559
General and administrative	163,883	148,386
Total Operating Expenses	449,754	466,945
Net Operating Income (Loss)	46,741	(16,678)
<b>Nonoperating Revenues (Expenses)</b>		
Interest	2,234	3,617
<b>Change in Net Assets</b>	48,975	(13,061)
Net Assets - Beginning of Year	383,227	396,288
Net Assets - End of Year	\$432,202	\$383,227

(See accompanying notes to financial statements)

# WOODLANDS LIBRARY COOPERATIVE

## *Statement of Cash Flows* *For the Years Ended September 30, 2004 and 2003*

	2004	2003
<b>Cash Flows from Operating Activities:</b>		
Receipts from State, members, and grants	\$493,773	\$454,817
Payments to suppliers	(374,886)	(384,337)
Payments to employees	(85,879)	(84,813)
Net Cash Provided (Used) by Operating Activities	33,008	(14,333)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of capital assets	(16,400)	(2,663)
<b>Cash Flows from Investing Activities:</b>		
Interest	2,234	3,617
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	18,842	(13,379)
Cash and Cash Equivalents - Beginning of Year	381,870	395,249
Cash and Cash Equivalents - End of Year	<u>\$400,712</u>	<u>\$381,870</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	\$46,741	(\$16,678)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,395	983
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Due from video consortium	0	70
Accounts receivable	3,017	(2,451)
Prepaid expenses	(13,606)	1,202
Increase (Decrease) in liabilities:		
Accounts payable	0	(4,616)
Due to other governmental units	0	143
Due to video consortium	(16)	1,065
Other liabilities	200	226
Deferred revenue	(5,723)	5,723
Total Adjustments	<u>(16,128)</u>	<u>1,362</u>
Total cash provided by operating activities	<u>\$33,008</u>	<u>(\$14,333)</u>

There were no noncash investing and financing transactions for the years ending September 30, 2004 and 2003.

(See accompanying notes to financial statements)



# WOODLANDS LIBRARY COOPERATIVE

## *Notes to Financial Statements Year Ended September 30, 2004*

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### Note 1      Purpose

The financial statements of the Cooperative include all accounts controlled by or dependent on the Cooperative board. The purpose of Woodlands Library Cooperative is to: (1) extend and improve access to library services and materials for each child, youth, and adult of the Cooperative region appropriate to his or her informational and recreational needs; (2) improve and strengthen resources and services of member libraries; (3) encourage continued growth and development of library services to the citizens of the State of Michigan.

### Note 2      Authority

The establishment of the Cooperative is based on Public Act 89 of 1977.

### Note 3      Summary of Significant Accounting Policies

The accounting policies of the Cooperative conform to accounting principles generally accepted in the United States of America applicable to governments. The financial activities of the Cooperative are recorded within one fund, categorized and described as an enterprise fund. This enterprise fund reports operations that provide services which are financed primarily by direct and indirect state aid and federal grants.

Significant accounting policies followed by Woodlands Library Cooperative are described below to enhance the usefulness of the financial statements to the reader:

#### a) Basis of Accounting

The Cooperative's financial statements are prepared on the accrual basis of accounting; consequently, revenues are recognized when they are earned and expenses are recognized when they are incurred. Operating revenues are charges for all exchange transactions for services which include direct state aid, indirect state aid, and grants. Operating expenses are all the costs necessary to provide services and conduct programs. General and administrative costs are also operating expenses. Nonoperating revenues represent revenue sources that are primarily non-exchange in nature such as interest.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### b) Capital Assets

Items capitalized are valued at cost and depreciated by the straight-line method over the estimated useful lives of the assets. The Cooperative maintains a capitalization threshold of one thousand dollars.

Depreciation expense was \$2,395 for 2003-04 and \$983 for 2002-03. The following estimated lives were used to determine the depreciation expense for the periods ending September 30, 2004 and 2003:

Office Equipment	5 years
Furniture	10 years
Other Equipment	3-5 years

#### c) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Woodlands Library Cooperative considers cash and petty cash as cash and cash equivalents.

## WOODLANDS LIBRARY COOPERATIVE

*Notes to Financial Statements*  
*Year Ended September 30, 2004*

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Note 3      Summary of Significant Accounting Policies (Concluded)

d) Governmental Accounting Standards Board

In accordance with GASB Statement 20, the Cooperative has elected not to apply the FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Note 4      Changes in Accounting Principles and Restatement of Net Assets

Changes in Accounting Principles

For the fiscal year 2004, the Cooperative has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Restatement of Net Assets

The restatement for GASB Statement No. 34 had the following effect on net assets.

	September 30, <u>2003</u>	September 30, <u>2002</u>
Net Assets - Beginning of Year	\$390,557	\$403,392
GASB 34 Adjustments:		
Accrued Vacation Payable	<u>(7,330)</u>	<u>(7,104)</u>
Restated Net Assets - End of Year	<u><u>\$383,227</u></u>	<u><u>\$396,288</u></u>

Note 5      Deposits With Financial Institutions

Statutes authorize Woodlands Library Cooperative to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; banker's acceptances of U.S. bank repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency.

Public Act 367 of 1982 (know as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At September 30, 2004, Woodlands Library Cooperative had invested in such a fund with a local bank. The Cooperative is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Cooperative believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Cooperative evaluates each financial institution with which it deposits Cooperative funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# WOODLANDS LIBRARY COOPERATIVE

## *Notes to Financial Statements* *Year Ended September 30, 2004*

### Note 5      Deposits With Financial Institutions (Concluded)

The Board of Directors has adopted an investment policy authorizing certain types of investments and authorized the depositories: National City Bank and Homestead Savings Bank. The carrying amount of deposits is displayed on the balance sheet as cash.

The following is a summary of those deposits which are covered by federal depository insurance and those which are uninsured and uncollateralized:

	September 30, 2004	September 30, 2003
Carrying value of the Cooperative's total deposits	<u>\$400,712</u>	<u>\$381,870</u>
Bank balance of the Cooperative's deposits	\$402,483	\$402,170
Amount covered by FDIC	<u>12,483</u>	<u>12,170</u>
In uninsured and uncollateralized accounts	<u>\$390,000</u>	<u>\$390,000</u>

### Note 6      Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

	Balance at October 1, 2003	Additions	Retirements	Balance at September 30, 2004
Capital assets being depreciated:				
Office equipment	\$26,635	\$3,476	\$0	\$30,111
Furniture and fixtures	5,204	0	0	5,204
Other equipment	<u>17,122</u>	<u>12,924</u>	<u>0</u>	<u>30,046</u>
Totals at historical cost	48,961	16,400	0	65,361
Less accumulated depreciation:				
Office equipment	5,204	0	0	5,204
Furniture and fixtures	22,214	1,140	0	23,354
Other equipment	<u>16,103</u>	<u>1,255</u>	<u>0</u>	<u>17,358</u>
Total accumulated depreciation	<u>43,521</u>	<u>2,395</u>	<u>0</u>	<u>45,916</u>
Net capital assets	<u>\$5,440</u>	<u>\$14,005</u>	<u>\$0</u>	<u>\$19,445</u>

### Note 7      State Aid to Cooperative

The State granted aid directly to library cooperatives based on a rate per capita of \$.436 for 2003-04 and \$.415 for 2002-03.

### Note 8      State Aid from Members

The State granted aid to public libraries belonging to a cooperative to purchase services which are provided by the cooperative. The rate per capita of \$.436 for 2003-04 and \$.415 for 2002-03 was based on the "qualified" populations in the service areas of the public libraries.



## WOODLANDS LIBRARY COOPERATIVE

### *Notes to Financial Statements* *Year Ended September 30, 2004*

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#### Note 9

##### Expenses

The Cooperative incurred the following expenses to member libraries during the fiscal year ended September 30, 2004 and 2003 for contracted services, projects and grants:

<u>Payee</u>	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>
Monroe County Library System	\$161,588	\$183,996
Lenawee County Library	12,693	13,791
Van Buren Library	10,244	9,946
Branch County Library	7,596	7,925
Delton District Library	7,176	7,037
Southwest Library Cooperative	22,500	20,520
Michigan Library Consortium	900	-
	<u>\$222,697</u>	<u>\$243,215</u>

#### Note 10

##### Compensated Absences

Woodlands Library Cooperative does accrue vacation pay for its employees as of the year end. The amount of unused vacation pay was \$7,530 and \$7,330 as of September 30, 2004 and 2003, respectively.

#### Note 11

##### Pension Plan

The Cooperative provides a defined contribution pension benefit plan for employees who are at least 21 years old and have completed one year of service. The plan is through American Express Financial Services and was effective October 1, 1994. The Cooperative contributes 10% of the employee's wages to the plan and they are 100% vested immediately. Employees are not required to contribute to the plan. The costs for the fiscal years ending September 30, 2004 and 2003, were \$8,819 and \$7,520, respectively. For the fiscal year ending September 30, 2004, the covered payroll was \$85,879 out of a total payroll of \$88,312. For the fiscal year ending September 30, 2003, the covered payroll was \$78,728 out of a total payroll of \$85,574.

## **OTHER SUPPLEMENTAL INFORMATION**

# WOODLANDS LIBRARY COOPERATIVE

## *Schedule of General and Administrative Expenses September 30, 2004 and 2003*

	2004	2003
Salaries	\$85,879	\$84,183
Board members	2,072	2,000
Payroll taxes	6,738	6,565
Employee benefits	18,975	18,989
Pension	8,819	7,520
Workers' compensation	412	446
Postage	2,071	1,388
Office supplies	1,877	1,303
Office internet	500	0
Periodicals	171	129
Contracted services	3,000	2,956
Reed Act Grant	7,723	693
Reed Act Grant - training center	1,335	0
Professional services	3,910	3,810
Memberships	984	1,144
Telephone	1,741	941
Travel	3,433	3,951
Printing	123	0
General insurance	482	535
Repair and maintenance	612	606
Office rent	8,400	8,400
Training	1,846	1,646
Books	0	198
Bank charges	385	0
Depreciation	2,395	983
	<u>\$163,883</u>	<u>\$148,386</u>



## **FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

# WOODLANDS LIBRARY COOPERATIVE

*Schedule of Federal Financial Assistance  
For the Fiscal Year Ended September 30, 2004*

<u>Federal Grantor/Pass-Through Grantor/Award/ Program Title/Grantor No.</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>State of Michigan, Department of History, Arts and Libraries</u>			
Passed Through State Department of History, Arts and Libraries:			
Reed Act Grant 2003	17.207	N/A	\$10,000
Reed Act Grant 2004	17.207	N/A	<u>16,666</u>
Total Federal Financial Assistance			<u><u>\$26,666</u></u>

Accrued (Deferred) Revenue October 1, 2003	Prior Year Expenses (Memo Only)	Current Year Expenses	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue September 30, 2004
(\$5,723)	\$2,277	\$7,723	\$2,000	\$0
0	0	16,666	16,666	0
(\$5,723)	\$2,277	\$24,389	\$18,666	\$0





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Board of Directors  
Woodlands Library Cooperative  
Albion, Michigan 49224

Our audit of the financial statements of the Woodlands Library Cooperative for fiscal year ended September 30, 2004 was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures, and accounting records are adequate to allow us to express an opinion on the financial statements of the Cooperative.

As a result of our audit, we do not have any comments or recommendations that should be brought to the attention of the Board. However, we would like to note that Woodlands Library Cooperative implemented GASB No. 34 for the fiscal year ending September 30, 2004. This new reporting model created new financial statements and has a new section entitled *Management's Discussion and Analysis* which is a narrative introduction, an overview, and an analysis of the current year activity.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all employees of the Cooperative.

Very truly yours,

Cooley Hehl Wohlgamuth & Carlton

October 22, 2004